

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 300924

63

ORIGIN EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 /057 R

DRAFTED BY EUR/EE:SFROMOWITZ:TL

APPROVED BY EUR/EE:NGANDREWS

EUR/EE:CWSCHMIDT

COMMERCE:STAN KATZ

----- 085899

P 102054Z DEC 76

FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE PRIORITY

INFO AMCONSUL ZAGREB PRIORITY

LIMITED OFFICIAL USE STATE 300924

E.O. 11652: N/A

TAGS: ECON, BEXP, YO

SUBJECT: MEETING OF US-YUGOSLAV ECONOMIC COUNCIL, DECEMBER 7, 1976.

1. THIRD ANNUAL OFF-THE-RECORD BRIEFING SESSION OF US-YUGOSLAV ECONOMIC COUNCIL WAS HELD IN NYC DECEMBER 7. REPRESENTATIVES FROM STATE, COMMERCE, EXIM BANK, WORLD BANK, OPIC, AND IICY ADDRESSED GATHERING OF ABOUT 100. CARL SCHMIDT, DEPUTY DIRECTOR OF EE, GAVE BRIEF TALK ON STATE OF US-YUGOSLAV BILATERAL RELATIONS. (COPY OF TEXT BEING POUCHED TO EMBASSY FOR YORK.) YUGOSLAV SPEAKERS WERE GOVERNOR OF NATIONAL BANK COLANOVIC AND AMBASSADOR BELOVSKI. FINAL PROGRAM AND REGISTRATION LIST ALSO BEING POUCHED.

2. BELOVSKI'S COMMENTS ON US-YUGOSLAV RELATIONS WERE UP-BEAT, PARALLELING SCHMIDT'S EARLIER FAVORABLE REVIEW OF IMPROVEMENT IN BILATERAL RELATIONS. BELOVSKI NOTED THAT IN HIS VIEW THERE HAS BEEN NO CHANGE EITHER IN YUGOSLAV
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 300924

POLICY TOWARD THE UNITED STATES OR IN AMERICAN POLICY TO-

WARD YUGOSLAVIA, REFLECTING A COMMONALITY OF BASIC INTERESTS. WE HAVE ACHIEVED, HE ADDED, A GREATER UNDERSTANDING OF EACH OTHER'S FUNDAMENTAL INTERESTS AS A RESULT OF THE

RECENT PERIOD OF STRAIN, AND WE BOTH HAVE COME TO RECOGNIZE THE NEED FOR A STRENGTHENING OF THE POLITICAL DIALOGUE. IN THIS CONTEXT, HE REFERRED TO THE SIGNIFICANCE OF THE VISITS BY HARRIMAN AND RICHARDSON AND THE MEETING BETWEEN THE SECRETARY AND FOREIGN MINISTER MINIC IN EARLY OCTOBER. WITH REFERENCE TO DIFFERENCES OF OPINION OVER "NEW INTERNATIONAL PHENOMENA", HE SAID IT WOULD BE AN ILLUSION TO EXPECT YUGOSLAVIA TO ABANDON OR CHANGE ITS BASIC PRINCIPLES.

3. COLANOVIC PROVIDED OVERVIEW OF ECONOMIC DEVELOPMENTS IN YUGOSLAVIA OVER PAST YEAR, PAINTING GENERALLY POSITIVE PICTURE (AS DID ALL SPEAKERS). WITH REGARD TO HARD CURRENCY RESERVES, WHICH HE CALLED TOO LARGE FOR COUNTRY LIKE YUGOSLAVIA, HE MENTIONED THAT HE HAD STARTLED HIS AMERICAN HOSTS AT BOTH TREASURY AND THE PRIVATE BANKS BY APPROACHING THEM NOT ABOUT THE NEED FOR NEW CREDITS, BUT RATHER ABOUT THE POSSIBILITIES FOR YUGOSLAVIA TO USE SOME OF ITS RESERVES TO PURCHASE HIGHER YIELD UNITED STATES TREASURY NOTES OR BONDS. COLANOVIC ALSO GAVE A SOMEWHAT SIMPLISTIC EXPLANATION OF THE PENDING CHANGES IN THE BANKING LAWS, ASSURING HIS LISTENERS THAT "FROM YOUR STANDPOINT, THE IMPORTANT THING IS THAT OUR BANKS WILL CONTINUE TO OPERATE JUST LIKE BANKS". HE DID HIGHLIGHT, HOWEVER, THE PROPOSAL TO CREATE A NEW "GOVERNMENTAL" BANK WHICH WOULD MEET CERTAIN ALL-YUGOSLAV NEEDS -- SUCH AS EXPORT FINANCING--NOT CURRENTLY BEING MET BY THE EXISTING BANKS. AS FOR THE DRAFT LAW ON FOREIGN INVESTMENT, COLANOVIC NOT SURPRISINGLY STRESSED YUGOSLAV FLEXIBILITY AND WILLINGNESS TO WORK OUT PRACTICAL SOLUTIONS SATISFYING MUTUAL INTERESTS, AND HE TRIED TO DOWN-PLAY EARLIER EXPRESSIONS OF CONCERN OVER THE DRAFT LAW BY HIGHLIGHTING ITS "OVERALL LIBERALIZING EFFECT". HE SPECIFICALLY NOTED THE FOLLOWING IMPROVEMENTS: INCREASE FROM 30 PERCENT TO 50 PERCENT IN ALLOWABLE REPATRIATION OF FOREIGN EXCHANGE RECEIPTS; JOINT VENTURES WILL BE PERMITTED AND ENCOUR-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 300924

AGED IN AN INCREASED NUMBER OF FIELDS (NOT SPECIFIED); THE PRESENT REQUIREMENT THAT THE JOINT VENTURE INCREASE EXPORTS WILL BE MODIFIED TO PERMIT INVESTMENTS WHICH CONTRIBUTE IN OTHER WAYS; AND A MORE LIBERAL USAGE OF DINAR BALANCES AND RECEIPTS, SUCH AS FOR THE PURCHASE OF YUGOSLAV GOODS FOR EXPORT. FINALLY, COLANOVIC OUTLINED IN FAMILIAR TERMS THE SIMULTANEOUS PROCESS BY WHICH THE GOY IS TRYING TO FOSTER FURTHER DECENTRALIZATION IN

ACCORDANCE WITH THE 1974 CONSTITUTION AND, AT THE SAME TIME, GREATER ECONOMIC INTEGRATION.

LIMITED OFFICIAL USE

4. DURING THE MEETING YUGOSLAV EMBASSY MADE AVAILABLE TO PARTICIPANTS "NOTES ON BASIC ECONOMIC FEATURES AND FOREIGN TRADE REGULATIONS IN YUGOSLAVIA" WHICH WERE REFERRED TO BY BELOVSKI AS PART OF AN ATTEMPT TO HELP EXPLAIN TO AMERICAN BUSINESSES AND BANKS THE CHANGES TO BE ENACTED AND TO REASSURE THEM ON THE CONTINUING RECEPTIVE YUGOSLAV ATTITUDE TOWARD FOREIGN INVESTMENT. PACKAGE CONTAINS OUTLINE OF PRESENT AND PROPOSED REGULATIONS FOR ESTABLISHMENT OF FOREIGN BRANCH OFFICES IN YUGOSLAVIA; PRESENT AND PROPOSED REGULATIONS ON JOINT VENTURES; BASIC PROVISIONS OF DRIFT BANKING LAWS; OUTLINE OF YUGOSLAVIA'S FIVE YEAR PLAN; AND EXPLANATION OF YUGOSLAVIA'S MONETARY AND CREDIT SYSTEM. ONE SET BEING POUCHED TO EMBASSY.

5. AT OPENING OF MEETING COUNCIL CHAIRMAN DROBAC EXPRESSED SYMPATHY ON DEATH OF NATIONAL BANK COUNSELOR JEVTOVIC, WHO HAD DIED OF HEART ATTACK LAST WEEK WHILE IN WASHINGTON.

ROBINSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, MEETINGS, MEETING REPORTS, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE300924
Document Source: CORE
Document Unique ID: 00
Drafter: SFROMOWITZ:TL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760457-0131
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761252/aaaabtei.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAY 2004 by GarlanWA>; APPROVED <14 SEP 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEETING OF US-YUGOSLAV ECONOMIC COUNCIL, DECEM- BER 7, 1976.
TAGS: ECON, BEXP, YO, US
To: BELGRADE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006